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MUNGER CHADWICK, P.L.C.

ADMITTED TO PRACTICE IN:
ARIZONA, COLORADO, MONTANA,
NEVADA, TEXAS, WYOMING,
DISTRICT OF COLUMBIA

February 24, 2006

Colleen Ryan, Supervisor
Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Re: Las Quintas Serenas Water Co.
Docket Nos. W-01583A-04-0178, W-01583A-05-0326 and W-
01583A-05-0340 (Consolidated)

Dear Ms. Ryan:

Pursuant to the Eighth Ordering Paragraph of the Commission's November 16, 2005 Procedural Order in the above-referenced consolidated proceedings, Las Quintas Serenas Water Co. hereby submits for filing seventeen (17) copies of the following documents:

- 1) Revised Exhibit AR-6;
- 2) Revised Exhibit AR-9; and,
- 3) An Exhibit Schedule which provides a reconciliation of the original numbering system used in the direct case Exhibits/Schedules of Ronald L. Kozoman with the Exhibit references contained in Mr. Kozoman's direct case testimony.

Copies of the attached documents and this letter are being mailed/emailed today to Judge Rodda and all parties of record.

Please let me know if you have any questions. Thank you for your assistance.

Sincerely,

Lawrence V. Robertson, Jr.

Cc: Hon. Jane L. Rodda
Jason Gellman
John Gay

AZ CORP COMMISSION
DOCUMENT CONTROL

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Las Quinta Sernas Water Company
Incremental Income Rates

Exhibit AR-6 Revised
Witness: Kozoman

Staff's Prior

Staff's Taxable Income from Last Rate
Plus Incremental Principal Payments
of \$20,000

Staff's
Taxable
Income +
Bank's
Principal
Repayments)
1st Year

Changes highlighted by Underlining

	<u>Income Tax Brackets for 2006</u>				(a) Staff's Taxable Income							
	2006	2006	2006	2006	2006	2006	2006	2006	2006	2006	2006	2006
Taxable Income	50,000	75,000	100,000	500,000	18,260	38,260	58,260	78,260	98,260	146,823		
Less Arizona Income Tax	3,484	5,226	6,968	34,840	1,272	2,666	4,060	5,453	6,847	10,231		
Arizona Income Tax Rate =	6.968%											
Federal Income Before Taxes	50,000	75,000	100,000	500,000	18,260	38,260	58,260	78,260	98,260	146,823		
Less Arizona Income Taxes	3,484	5,226	6,968	34,840	1,272	2,666	4,060	5,453	6,847	10,231		
Federal Taxable Income	46,516	69,774	93,032	465,160	16,988	35,594	54,200	72,807	91,413	136,592		

FEDERAL INCOME TAXES:

15% BRACKET UP TO \$50,000	6,977	7,500	7,500	7,500	2,548	5,339	7,500	7,500	7,500	7,500		
25% BRACKET ON NEXT \$25,000	-	4,944	6,250	6,250	-	-	1,050	5,702	6,250	6,250		
34% BRACKET ON NEXT \$25,000	-	-	6,131	8,500	-	-	-	-	5,581	8,500		
39% BRACKET ON NEXT \$235,000	-	-	-	91,650	-	-	-	-	-	14,271		
34% BRACKET OVER \$335,000	-	-	-	44,254	-	-	-	-	-	-		

Federal Income Taxes

	6,977	12,444	19,881	158,154	2,548	5,339	8,550	13,202	19,331	36,521		
Total Income Tax	10,461	17,670	26,849	192,994	3,821	8,005	12,610	18,655	26,177	46,752		

Tax Rate

	20.92%	23.56%	26.85%	38.60%	20.92%	20.92%	21.64%	23.84%	26.64%	31.84%		
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Effective Income Tax Rates

State (State Tax Divided State Income)	6.968%	6.968%	6.968%	6.968%	6.968%	6.968%	6.968%	6.968%	6.968%	6.968%		
Federal (Federal Tax Divided Fed Income)	15.00%	17.83%	21.37%	34.00%	15.00%	15.00%	15.77%	18.13%	21.15%	26.74%		
Total Tax Rate (Total Tax Divided by Total Income)	20.92%	23.56%	26.85%	38.60%	20.92%	20.92%	21.64%	23.84%	26.64%	31.84%		
Revenue Conversion Factor (1 / (1 Minus tax rate))	126.46%	130.82%	136.70%	162.86%	126.46%	126.46%	127.62%	131.30%	136.32%	146.72%		
Increment Tax (Staff Method)	26.46%	30.82%	36.70%	62.86%	26.46%	26.46%	27.62%	31.30%	36.32%	46.72%		

(a) From Staff Exhibit DTZ-1 Income Taxes of \$3,458 and Operating Income of \$14,802.

Test Year Ended 9/30/03

Line (Changes highlighted by Underlining)

Witness: Kozoman

(vs. \$27.62 in Rebuttal)

[illegible]

Las Quintas Serenas Water Company
Ronald L. Kozoman, CPA
Exhibit Schedule / Changes from Direct Testimony

Original Numbering System Used	Schedule Heading	Revised Numbering System
Exhibit A-8	Income Statement Per Decision 67455 and With New Loan	Exhibit A-8
Schedule C-3, page 1	Computation of Revenue Conversion Factor	Exhibit A-9
Schedule D-2, page 1	Estimated Payments on Bank Loan to Acquire Arsenic Treatment Plant	Exhibit A-9
Schedule H-2, page 1	Analysis of Revenue by Detailed Class	Exhibit A-10, page 1
Schedule H-2, page 2	Customer Count Summary	Exhibit A-10, page 2
Schedule H-2, page 3	Gallons Sold Summary	Exhibit A-10, page 3
Schedule H-3, page 1	Present and Proposed Rates Including Estimated Surcharge, Estimated Operation and Maintenance Expense Associated with Arsenic Treatment Plant	Exhibit A-11 page 1
Exhibit A-11	Monthly Customer Charge and Annual Surcharge Mechanism Collections	Exhibit A-11 page 2
Schedule H-3, page 2	Equivalent 5/8 Inch Meters	Exhibit A-11, page 3
Schedule H-3, page 3	Monthly Customer Charge and Annual Surcharge Mechanism Collections	Exhibit A-11, page 4
Schedule H-3, page 4	Combined Monthly Minimum and ARSM Charge	Exhibit A-11, page 5
Schedule H-3, page 5	Customer Charge for Operation and Maintenance Cost of Arsenic Treatment Plant	Exhibit A-11, page 6
Schedule H-4, page 1	Present and Proposed Rates Residential, 5/8 Inch	Exhibit A-12, page 1
Schedule H-4, page 2	Present and Proposed Rates Residential, 1 Inch	Exhibit A-12, page 2
Schedule H-4, page 3	Present and Proposed Rates Residential, 1-1/2 Inch	Exhibit A-12, page 3
Schedule H-4, page 4	Present and Proposed Rates Residential, 2 Inch	Exhibit A-12, page 4
Schedule H-4, page 5	Present and Proposed Rates Residential, 4 Inch	Exhibit A-12, page 5
Schedule H-4, page 6	Present and Proposed Rates Standpipe Water	Exhibit A-12, page 6